



State of California

**APPLICATION FOR UNEMPLOYMENT AND DISABILITY
INSURANCE ELECTIVE COVERAGE FOR EMPLOYEES
EXEMPTED UNDER THE CALIFORNIA UNEMPLOYMENT
INSURANCE CODE**

Return this form to: Employment Development Department
FACD Central Operations - MIC 94, 10969 Trade Center Dr., Ste. 203
Rancho Cordova, CA 95670
Telephone: (916) 464-2500

This form is not an application for an account number. Submit DE 1, Registration Form, to obtain an account number and also refer to question 14 if you are a nonprofit organization.

Complete this form only if:

- Your employees are engaged in employment exempted under the California Unemployment Insurance Code (CUIC).
- A majority of your employees who are engaged in exempt employment want to be covered by the provisions of the CUIC and you agree to such coverage. All employees in any establishment or location must be covered by the election.
- You and your employees want this coverage to be effective for at least two complete calendar years after the effective date of this agreement.

1. Business name: _____ (Telephone) _____
2. Business address: _____
(Street) (City) (State) (ZIP Code)
3. Mailing address: _____
(Street) (City) (State) (ZIP Code)
4. Type of organization: Individual ☐ Partnership: General ☐ Limited ☐
Corporation: Domestic ☐ Foreign ☐ Other ☐ _____
5. Indicate Owners, Corporation Officers, Partners, etc. (Use additional sheets if necessary.)

FIRST and LAST NAME	TITLE	RESIDENCE ADDRESS

6. Check the block for any type of service you want to include under elective coverage:
- ☐ Domestic services in a private home where such individual receives less than \$1,000 cash remuneration in a calendar quarter (Section 629). (An individual who receives at least \$750 in cash remuneration is mandatorily covered for disability insurance under Section 2606.5).

Services described in Section 634.5:

- ☐ (a) For a church, convention of churches, or organization operated primarily for religious purposes.
- ☐ (b) Duly ordained, commissioned, or licensed minister or member of religious order.
- ☐ (c) Services for a rehabilitation program by a participant in the program. (Except as provided by Section 605.5)
- ☐ (d) Services in a work-relief or work-training program by a participant in that program.
- ☐ (e) Services by an inmate of a custodial or penal institution.
- ☐ (f) Services by individual under 18 years of age in the delivery or distribution of newspapers or shopping news.
- ☐ (g) Services by an individual in, and at the time of, the sale of newspapers and magazines to ultimate consumers.
- ☐ Domestic services in a local college club or local chapter of a college fraternity or sorority if the remuneration paid is less than \$1,000 cash remuneration in a calendar quarter (Section 639).
- ☐ Casual labor not in the course of the employing unit's trade or business (Section 640).
- ☐ Services for an organization exempt from income tax if remuneration for such service is less than \$50 in any calendar quarter (Section 641).
- ☐ Services performed in the employ of a school, college or university if such service is performed (Section 642).
- (a) By a student regularly attending classes at such college or university.
- (b) By a spouse of such student in a program to provide financial assistance to such student. (To be excluded, the spouse must be so advised at commencement of services.)

Do Not Write in This Space

Account Number _____
Statistical Code _____
Subject Quarter _____
Send Forms _____ Sent Forms _____
Classified By _____ Date _____

- ☐ Service performed as a student nurse in the employ of a hospital or nurses' training school (Section 645).
- ☐ Service performed as an intern in the employ of a hospital (Section 645).
- ☐ Service in a program combining academic instruction and work experience (Section 646).
- ☐ Service performed for a hospital by a patient (Section 647).
- ☐ Service on other than an American vessel or aircraft and the service therewith is performed outside the United States (Section 648).
- ☐ Services performed on an Indian reservation.

7. Is your business seasonal? _____. If "yes," during what months do you operate? _____

8. Do you expect to remain in business for the next eight calendar quarters? _____

9. Indicate the number of different locations at which your activities are conducted in California _____

Show locations covered by this application _____

10. (a) Do you have any employees in California that you do not want included in this coverage? _____

If "yes," what work do they do? _____

(b) Do these employees perform services at the same establishment or location as those in Item 9? _____

If "no," identify the establishment or location at which the services are performed. _____

11. How many employees will be covered by this agreement? _____

Disregard Items 12 and 13 if deductions from your employees' wages are already required for disability insurance purposes.

12. SDI deductions should not be made from your employees' wages for the purpose of paying contributions until your application has been approved. If deductions have already been made, show the beginning date _____ and the amount \$ _____.

13. Were such SDI deductions made on all employees covered by this application? _____

14. Is this a nonprofit organization? ☐ Yes ☐ No If yes, is it exempt under Section 501(c)(3) of the Internal Revenue Code? _____ If yes, submit form DE 1SNP, Selection of Financing Method by a Nonprofit Organization.

15. On what date do you wish elective coverage to commence?

☐ First day of current quarter

☐ First day of next quarter

The undersigned hereby elects and makes application, under the Unemployment Insurance Code, to become an employer subject to the CUIC with respect to all employment as set forth in this elective coverage agreement. It is understood that upon approval of this election by the Director the undersigned will be subject to the CUIC as of the date specified in the approval and will continue to be subject for at least two complete calendar years after the effective date of this agreement and thereafter until this elective coverage is terminated as provided by the CUIC.

I declare that this application has been examined by me and, to the best of my knowledge and belief, is true and correct and made in good faith under the provisions of the CUIC, and that I have posted form DE 1375 (Notice to Employees) in a prominent place on my premises.

This declaration must be signed by one or more persons shown under Item 5. If the application is a partnership all partners must sign the application. If there are more than three partners, attach a separate sheet bearing the signatures and addresses of such additional partners.

Signed _____ Date _____

_____ Date _____

_____ Date _____

**INFORMATION CONCERNING EXCLUDED SERVICES AND ELECTIVE COVERAGE
UNDER SECTIONS 702 AND 702.1 OF THE CALIFORNIA UNEMPLOYMENT INSURANCE CODE (CUIC)**

SECTION 702

The effect of elective coverage under Section 702 is to extend Unemployment Insurance (UI) and Disability Insurance (DI) coverage to all employees at a distinct establishment or separate place of business whose services do not constitute employment.

The only employees not covered under Section 702 are those specific family members whose services are exempt under Section 631. Their services may be covered for DI purposes under Section 702.5.

Employers electing coverage under Section 702 are required to contribute to the UI and Employment Training Tax (ETT) funds in the same manner as employers covered on a compulsory basis. They are also required to deduct contributions to the DI-EC Fund from wages paid employees as specified in Sections 984 to 988.

Coverage cannot become effective until approved in writing by the Director. At that time the employer should begin withholding DI contributions from wages paid its employees.

Example:

Mr. Brown operates a real estate sales business in Los Angeles. All of the salesmen are licensed real estate salesmen paid solely by commission and their services are exempt under Section 650. He also operates a branch office in San Diego and the services of the salesmen there are also exempt under Section 650. The salesmen in San Diego want to be covered and those in Los Angeles do not. This can be accomplished by filing an application for elective coverage under Section 702 and specifying on the application it is intended to cover only the salesmen at the San Diego office and that coverage is not wanted for the Los Angeles office.

SECTION 702.1

The effect of elective coverage under Section 702.1 is to extend UI and DI coverage to services in the employ of nonprofit corporations, community chests, funds, or foundations of the type described in Section 608, where some or all of these services are exempt under Sections 629, 630, 631, 634.5, 635, and 639 to 648.

To obtain coverage, the employer must:

1. Have a written petition signed by a majority of the employees to be covered.
2. File a written election for coverage of all services in one or more establishments or places of business.

Coverage cannot become effective until approved in writing by the Director. At that time, the employer shall begin withholding DI contributions from wages paid its employees.

Any services excluded under Section 634.5 may be excluded from the elective coverage, except services mandatorily included in employment" for DI purposes under Section 2606 (particularly nonprofit hospitals).

Employers electing coverage under Section 702.1 may contribute to the UI and ETT Funds in the same manner as employers covered on a compulsory basis or they have the option of electing the reimbursable method of financing coverage permitted under Section 803.

Elective coverage under Section 702.1 may be terminated by the Department regardless of the length of time it has been in effect, if it is delinquent in reimbursing the Department under the alternative financing method permitted by Section 803.

Examples:

1. A children's museum is a nonprofit corporation formed to encourage children's interest in wildlife and nature. The services of most of its staff are in "employment" under Section 608. It does, however, have some "work-training" employees whose services are otherwise excluded under Section 634.5(e) of the CUIC. An election under Section 702.1 would enable the nonprofit corporation or museum to provide UI-DI coverage to these employees also. The method of financing previously selected with respect to the employees covered on a compulsory basis under Section 608 would also be applicable to the employees under elective coverage.
2. A church employs a pastor, an assistant pastor, a handyman-gardener who performs services in and around the church, and a housekeeper who cooks and keeps house for the pastor and his assistant at the residence provided by the church and located across the street. The services of all these individuals are exempt under Section 634.5(a)(1). The church may elect to cover all of their employees; all except for the pastors; all employees at the church location; all employees at the church except for the pastors; or all employees at the residence location.

3. A nonprofit hospital, specified in Section 2606, employs student nurses and interns in addition to its regular staff. The services of the student nurses and interns are exempt from UI coverage in accordance with Section 645. Their services are, however, covered for DI purposes. The hospital may, under Section 702.1, elect to cover them for UI purposes also.

DEFINITION OF A RELIGIOUS ORGANIZATION

Section 634.5(a) of the CUIC exempts services performed for a nonprofit organization (which is described in Section 501(c)(3) of the Internal Revenue Code) from UI and DI if the services are performed in the employ of:

- (1) a church or convention or association of churches, or
- (2) an organization which is operated primarily for religious purposes and which is operated, supervised, controlled, or principally supported by a church or convention or association of churches.

Accordingly, religious oriented schools that operate within the corporate entity of the church are exempt from UI and DI under Section 634.5(a)(1).

Separately incorporated, religious oriented schools which are nonprofit organizations as described in Section 501(c)(3) of the Internal Revenue Code, must meet both of the tests contained in Section 634.5(a)(2). To be considered exempt, the organization must:

- (1) Be operated primarily for religious purposes, and
- (2) Be operated, supervised, controlled, or principally supported by a church or association of churches.

("Convention or association of churches" means a group of churches in the sense of local congregations or parishes of the same denomination.)

Separately incorporated, religious oriented schools are subject to the provisions of the CUIC if they are not operated as stated in Section 634.5(a)(2).

TERMINATION OF ELECTIVE COVERAGE

This agreement may be terminated by filing a request for termination during January of any year following two complete calendar years of coverage after the effective date of this agreement.

The Department, under Section 704.1 of the CUIC, may terminate elective coverage if it finds that any of the following conditions exist:

1. The employing unit or self-employed individual has discontinued the regular trade, business, or occupation.
2. The regular trade, business, or occupation of the employing unit or self-employed individual is seasonal in its operations.
3. The employing unit or self-employed individual has failed to make a return or to pay contributions within the time required by this division and there is an unpaid amount of contributions owing by the employing unit or self-employed individual.
4. The employing unit, any officer, agent of, person having charge of the affairs of the employing unit, or the self-employed individual is convicted on any violation pursuant to Chapter 10 (commencing with Section 2101 of the CUIC). For the purposes of this paragraph, a plea or verdict of guilty, or a conviction following a plea of nolo contendere is deemed to be a conviction irrespective of whether an order granting probation or other order is made suspending the imposition of the sentence or whether sentence is imposed but execution thereof is suspended.

PIT WITHHOLDING AND PIT WAGES

Please see the California Employer's Guide, DE44, to comply with subject PIT withholding and reportable PIT wages.